

Prospectus
GNMA II
Growing Equity Mortgages

U.S. Department of Housing
and Urban Development
Government National Mortgage Association

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% GNMA II Mortgage-Backed Securities
(Growing Equity Mortgages)

Fully Guaranteed as to Principal and Interest by
Government National Mortgage Association
(Backed by the Full Faith and Credit of the United States)

Issued by:

Table with 2 columns: GNMA Pool No., First Payment Due; Issue Date, Maturity Date

Pool Characteristics (for GD pools only):

Table with 3 columns: Annual Payment Increase, Years Subject to Increase, Percentage of Pool

The above information has been provided by the Issuer, or is based on information supplied by the several Issuers listed on the last page hereof if the securities to be issued under this Prospectus are backed by a Multiple Issuer pool, as described below. The Government National Mortgage Association has prepared the balance of the information contained in this Prospectus.

The securities to be issued under this Prospectus provide for timely payment to the registered holder of interest at the specified rate plus scheduled installments of principal. These installments of interest and principal (adjustable) will commence on the 20th day of the month following the month of issue and will continue every month thereafter over the life of the mortgage pool, whether or not such principal and interest shall be collected by the Issuer(s).

Timely payment of principal of and interest on the securities is guaranteed by GNMA pursuant to Section 306(g) of Title III of the National Housing Act. Section 306(g) provides that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection," and an opinion, dated December 9, 1969, of an Assistant Attorney General of the United States, states with respect to mortgage-backed securities comparable to those offered that guaranties under Section 306(g) "constitute general obligations of the United States backed by its full faith and credit."

The securities have not been registered under the Securities Act of 1933 since they are exempt from registration.

Government National Mortgage Association

The Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office at 451 Seventh Street, S.W., Washington, D.C. 20410. It had its origin in the creation of the National Mortgage Association of Washington in 1938. Shortly thereafter, the name of the National Mortgage Association of Washington was changed to Federal National Mortgage Association (the "Pre-1968 Corporation"), a wholly-owned government corporation whose business consisted of the purchase and sale of mortgages insured under the National Housing Act and, after 1948, mortgages guaranteed by the Department of Veterans Affairs.

Pursuant to 1954 legislation, the Pre-1968 Corporation was authorized (1) to conduct Secondary Market Operations (now the business of the present-day Federal National Mortgage Association); (2) to perform Special Assistance Functions in the purchase of mortgages as authorized by the President of the United States, or by the Congress, to assist in financing home mortgages in instances where established home financing facilities are inadequate (the "Special Assistance Functions"); and (3) to acquire or take over and to manage and liquidate certain other mortgages (the "Management and Liquidating Functions").

Effective September 1, 1968, the Pre-1968 Corporation was partitioned into two corporations, the present-day Federal National Mortgage Association and GNMA. GNMA retained all of the assets and liabilities theretofore acquired and incurred by the Pre-1968 Corporation under its Special Assistance Functions and Management and Liquidating Functions. GNMA continues these activities on a sizeable scale. GNMA was also granted authority to guarantee mortgage-backed securities, as described below.

GNMA Guaranty-Full Faith and Credit

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities of the type described herein which are based on and backed by a pool composed of mortgages which are: insured by the Federal Housing Administration under the National Housing Act, as amended; guaranteed by the Farmers Home Administration under Title V of the Housing Act of 1949; or insured or guaranteed by the Department of Veterans Affairs under Chapter 37 of Title 38, United States Code. Section 306(g) provides further that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated December 9, 1969, of William H. Rehnquist, Assistant Attorney General of the United States, states with respect to mortgage-backed securities comparable to those offered hereby that such guaranties under Section 306(g) are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

Pursuant to such authority, GNMA upon delivery (release) of the securities will have guaranteed the timely payment of the principal of and interest on these securities.

GNMA Borrowing Authority-United States Treasury

GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue to the United States Treasury its general obligations in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the securities offered hereby. The Treasury is authorized to purchase any obligations so issued.

GNMA warrants to the holders of the securities, that in event it is called upon at any time to make good its guaranty of the payment of principal and interest on the securities, it will, if necessary, in accordance with such Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

Custom and Multiple Issuer Pools

The securities offered hereunder are issued pursuant to the GNMA II Program. Securities issued under the GNMA II Program relate to a mortgage pool which, in the case of any given issuance of securities, may be either a) a custom pool, that is, a pool of mortgages all of which are contributed by the same Issuer, or (b) a multiple Issuer pool, that is, a pool normally consisting of two or more loan packages, each of which is contributed by a separate Issuer. In the case of a custom pool, the Issuer will be named as such on the front page of this Prospectus and on the face of each security issued hereunder. In the case of a multiple Issuer pool, the securities will be indicated as issued by "Multiple Issuers" on the front page of this Prospectus and on the face of each security, and each of the participating Issuers will be identified on the last page of this Prospectus.

Central Paying and Transfer Agent

All securities issued under the GNMA II Program will provide for payments to holders to be made through a Central Paying and Transfer Agent, which has been duly authorized to act as such on behalf of each respective Issuer. In addition, all GNMA II securities will be transferable only on the books of GNMA's duly authorized Central Paying and Transfer Agent.

Chemical Bank, of New York, N.Y., has been designated as Central Paying and Transfer Agent for the GNMA II Program. Inquiries directed to Chemical Bank in this capacity should be addressed to Chemical Bank at Room 608, 55 Water Street, New York, New York 10041.

Growing Equity Mortgages

All mortgages proportionally serving as the base and backing of this security are growing equity mortgages ("GEM") insured by Federal Housing Administration or guaranteed by the Department of Veterans Affairs. The term "mortgage", as used herein, includes both a note and the mortgage or deed of trust by which it is secured. Each mortgage has a date for the first scheduled monthly payment that is generally not more than two years prior to the Issue Date. Each mortgage provides for repayment in monthly installments which are fully amortized to maturity, and bears an interest rate for the term of the loan. No mortgage may be more than two months delinquent as to scheduled payments, as of the Issue Date.

The securities are issued under one of the following sub-programs. The applicable sub-program is indicated by the last two characters in the pool number on the front page of this Prospectus. The sub-programs have the following characteristics:

GA: pooled mortgages whose monthly payments of principal and interest increase annually by 4 percent for the full term of the mortgage.

GD: pooled mortgages which include any combination of loans whose rate and term of annual increases have been approved by the relevant Federal insuring or guaranteeing authority.

If the mortgages are GD mortgages, then the mortgages are subject to the annual percentage increases for the number of years as indicated on the front page of this Prospectus. All GA mortgages have the above-stated characteristics.

Under each mortgage's amortization schedule, principal is repaid faster than under a standard 30-year level payment mortgage. Although the first year's mortgage payments are equal to those on a level payment mortgage, on the first and subsequent anniversary dates of the commencement of amortization, the monthly installment of principal and interest increases. The payment increases occur at a fixed annual rate for a fixed number of years up to the full term of the loans. Both the rate and term of the payment increases are established when the loan is originated. The amount of any particular installment increase equals the product of the appropriate fixed percentage of annual increase as stated herein applied to the monthly installment of principal and interest scheduled for the prior year. The full amount of the installment increase is allocated to principal. Scheduled interest due on a pooled mortgage for any given month is then computed upon the adjusted principal balance of the mortgage at the end of the prior month. Total payments over the amortization period of a GEM will be less than the total of such payments under a standard 30-year level payment mortgage loan because the accelerated repayment of the GEM's principal shortens the time over which interest is paid and reduces the balance on which interest is calculated each month.

Payments of Principal and Interest

Principal and Interest shall be remitted in monthly installments on the 20th day of each month. The first such payment will be remitted on the 20th day of the first month following the date of issue. All installments shall be applied first to interest and then in reduction of principal balance then outstanding. Interest shall be paid each month for the preceding month, at the specific rate on the unpaid portion of the principal of the securities at the end of the prior month. The amount of principal due on the securities each month shall be in an amount equal to the scheduled principal amortization due on the pooled mortgages at the beginning of the month in which the payment under the securities is due. However, payment of principal and interest shall be adjustable as set forth below.

Each of the monthly installments of principal shall be subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the pooled mortgages during the preceding month. In any event, the monthly installments shall be not less than the interest due on the securities at the rate specified in the security as described above, together with any scheduled installments of principal during such month, whether or not collected from the mortgagor, and any prepayments or early recovery of principal during the preceding month. Final payment shall be made only upon surrender of the outstanding security.

Monthly payments as described above to be made on all of the securities relating to the pool specified herein shall be apportioned to the holder of each such security in the proportion that the initial security principal amount of such security bears to the initial aggregate principal amount of the pool. Payments will be made by the Central Paying and Transfer agent, solely out of funds collected from the respective Issuer(s), or, if an Issuer fails to provide all required funds, out of funds advanced by GNMA.

Each monthly installment on a security will be paid to the holder in whose name the security is registered on the last day of the month immediately preceding the month in which the payment is made. Payments will be made by check, dated the 20th day of the month. The Central Paying and Transfer Agent will issue a single check (or otherwise consolidate payments) to each holder for payments due under all GNMA II securities which the holder owns.

Reports to Security Holders

The Central Paying and Transfer Agent will submit to each registered security holder each month, monthly statements of principal and interest payable currently on the security, its outstanding principal balance after crediting the current principal payment, and other pertinent information. If a holder owns more than one security or owns securities in more than one GNMA II pool, such information will be provided on a security-by-security basis or on a pool-by-pool basis, as applicable. The accounts and records of the Issuer(s) relating to the pooled mortgages shall be maintained in accordance with normal accounting practices and in a manner that will permit the representatives of GNMA to examine and audit such accounts and records at any reasonable time.

Denominations and Transferability of Securities

The minimum authorized initial denomination of the securities offered hereby is \$25,000. All securities will be issued in multiples of \$1.00. The reissuance of securities, for conversions from GNMA I Program to the GNMA II Program, in amounts that are less than \$25,000 is an acceptable deviation from this requirement.

Each security is freely and fully transferable and assignable, but only on the Security Register maintained by the Central Paying and Transfer

Agent. The holder or its duly authorized representative may transfer ownership or obtain the denominational exchange of a security on the Security Register upon surrender of the security to the Central Paying and Transfer Agent, at its GNMA transfer window(s) or through the mail, if the security is duly endorsed by the holder using the form of assignment on the reverse thereof, or any other written instrument of transfer acceptable to GNMA. A service charge in an amount determined by GNMA shall be imposed for any registration of a transfer or denominational exchange of a security, and payment sufficient to cover any tax or governmental charge in connection therewith may also be required.

Servicing of Mortgage Pool

Under contractual arrangements between the respective Issuer(s) and GNMA, the respective Issuer(s) is responsible for servicing and otherwise administering the mortgage which constitute the pool (or the applicable loan package) in accordance with generally accepted practices of the mortgage lending industry.

The monthly remuneration of the respective Issuer(s), for its servicing and administrative functions will be, with respect to each mortgage, the excess of the stated interest rate on the mortgage over the stated interest rate on the securities. That amount shall be withheld by the respective Issuer(s) out of interest payments collected on each mortgage. Each mortgage loan in the pool bears an interest rate at .5 percent but not more than 1.5 percent higher than the stated interest rate on the securities. Late payment fees and similar charges collected will be retained by the respective Issuer(s) as additional compensation. The respective Issuer(s) shall pay to GNMA its guaranty fee of .06 percent per annum and other costs and expenses incident to the servicing of the mortgages. These fees, costs and expenses will not reduce the monthly payments to the holder as described above.

Liability of Issuer

The securities will not constitute a liability of nor evidence any recourse against the Issuer(s). They are based on and backed by the aggregate principal amount of the mortgages insured or guaranteed under the law of the United States and recourse may be had to the Government National Mortgage Association as provided for in the guaranty.

Custodial Agent

The documents pertaining to each of the mortgages included in the pool (or, in the case of a multiple Issuer pool, included in each loan package) backing this issuance of securities will be held in custody by a custodian acceptable to GNMA.

Termination of Pool Arrangement

The pool arrangement may be terminated at any time prior to the final maturity date of the outstanding securities, provided that the Issuer(s) and all holders of the outstanding securities relating to the pool have entered into a mutually agreeable arrangement for such termination. Upon formal notification with satisfactory evidence that all parties to the termination agreement have concurred, and return of the securities to GNMA for cancellation, the guaranty will be terminated.

Multiple Issuer Pools

If the securities offered hereunder are backed by a multiple Issuer pool, then the following provisions apply. The Issuers, collectively, are each of the institutions which are identified in the records of GNMA and the Central Paying and Transfer Agent as participating Issuers in the within referred pool. The identity of each Issuer, and the respective portions contributed by each Issuer of the initial aggregate principal amount of the mortgages in the pool, are indicated in this Prospectus.

The undivided proportional beneficial interest in the pool, which each security represents, relates to all of the mortgages in the pool and not solely to the mortgages contributed by any one of the Issuers. While each of the Issuers has undertaken to service and perform other functions with respect to the portion of the mortgages contributed to the pool by the respective Issuer, none of the Issuers are responsible for performing such functions with respect to the portion of the mortgages contributed to the pool by any other participating Issuer(s). No joint venture, partnership or other association is intended to be formed among the participating Issuers in a multiple Issuer pool, and none of the Issuers are responsible for any acts or omissions of any participating Issuer(s).

Federal Income Tax Aspects

The federal income tax aspects of mortgage-backed securities are described in Revenue Rulings 70-544 and 70-545 published in Technical Information Release (TIR) 1045, dated October 1, 1970, and in Internal Revenue Bulletin 1970-43, dated October 26, 1970, which among other things, state that interest on the security is subject to federal income taxation, and indicates that the favorable tax status of certain institutions, including that resulting from investing a percentage of their assets in mortgages, is not adversely affected by investment of those assets in GNMA pass-through securities. The foregoing rulings have been reaffirmed with respect to GNMA II securities in a private letter ruling issued to GNMA in January, 1983.

Yield

In addition to the purchase price, the amount of outstanding principal and the stated interest rate, the following factors should be considered in arriving at a yield figure:

1. The first monthly installment of principal and interest is paid approximately 50 days after the issue date of the security.
2. Unscheduled prepayments of principal may be made to the security holder from time to time because, among other things, (a) the several mortgages in the pool provide for prepayment without penalty by the mortgagors and (b) when foreclosures occur the pro rata share of such principal will be paid to the holder.
3. The security should be viewed as an inherently variable investment because prepayments and foreclosures on mortgages in each pool can occur in amounts varying from complete early liquidation of the pool to minimal or even no early payout. This inherent variability in the security liquidation date may have important consequences to the holder. To the extent that a purchaser invests in the securities with a view to long-term investment, early liquidation, either full or partial, could cause the investor's overall investment program to require adjustment. In addition, the variability of the investment's duration may result in a smaller or a larger overall return on the investment than the investor originally anticipated.

It should be emphasized that it is possible that one or more of the pooled mortgages will run until final maturity and that, consequently, some of the investor's funds will be outstanding until the maturity date of the securities.

Issuers (Multiple Issuer Pools Only)

The identity of each participating Issuer in the pool referred to within (if a Multiple Issuer pool), and the portion of the initial aggregate principal balance of the pool which corresponds to the principal amount of the mortgage loans contributed to the pool by each Issuer, are as follows:

Issuer	Amount Contributed
	\$